

Message Text

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51

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INT-05 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02 NSAE-00

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COME-00 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04

SIL-01 OMB-01 CEA-01 STR-01 /128 W

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R 211255Z JAN 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6430

INFO AMEMBASSY NOUAKCHOTT

USMISSION GENEVA

AMEMBASSY CANBERRA

USINTO ALGIERS

AMEMBASSY BRASILIA

USMISSION USEC BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY LIMA

AMEMBASSY OTTAWA

USOECD PARIS 1254

AMEMBASSY STOCKHOLM

AMEMBASSY MANILA

AMEMBASSY SANTIAGO

C O N F I D E N T I A L NEW DELHI 0973

E. O. 11652: GDS

TAGS: EALR, EMIN, ETRD

SUBJ: PREPARATORY MEETING OF IRON ORE EXPORTERS

SUMMARY: A PREPARATORY MEETING TO DISCUSS FORMATION OF AN ASSOCIATION OF IRON ORE EXPORTING COUNTRIES WAS HELD IN DELHI JANUARY 13-15. A DRAFT AGREEMENT SETTING FORTH TERMS OF THE PRODUCERS' ASSOCIATION WAS UNANIMOUSLY ADOPTED AT THE MEETING. LARGELY BECAUSE OF AUSTRALIAN OPPOSITION, ATTEMPTS BY INDIA AND OTHER
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LDCS TO SET UP A PRODUCERS CARTEL WERE SOUNDLY DEFEATED.

BY THE TERMS OF THE DRAFT AGREEMENT, THE ASSOCIATION WOULD BE ONLY A LOOSE GROUPING WITH NO AUTHORITY TO ESTABLISH PRICES OR PRODUCTION LEVELS. END SUMMARY.

1. A PREPARATORY MEETING OF IRON ORE PRODUCING NATIONS WAS HELD IN DELHI JANUARY 13-15 TO DISCUSS THE FORMATION OF AN IRON ORE EXPORTERS ASSOCIATION. TAKING PART IN THE CONFERENCE WERE AUSTRALIA, ALGERIA, BRAZIL, CANADA, CHILE, INDIA, MAURITANIA, PERU, PHILIPPINES, SWEDEN, AND VENEZUELA. A DRAFT AGREEMENT SETTING FORTH THE TERMS OF THE PROPOSED ASSOCIATION WAS UNANIMOUSLY ADOPTED AT THE CONFERENCE, AND WILL BE SUBMITTED AT THE APRIL MINISTERIAL MEETING OF IRON ORE EXPORTING COUNTRIES IN GENEVA. THE TEXT OF THE AGREEMENT WAS NOT MADE PUBLIC, AND ONLY A BRIEF COMMUNIQUE WAS ISSUED AT THE END OF THE MEETING. WE OBTAINED THE TEXT FROM SOME PARTICIPANTS AT THE CONFERENCE.

2. THE ASSOCIATION WOULD CONSIST OF A PERMANENT BOARD, A SECRETARIAT, AND A CONFERENCE OF MINISTERS, WHICH WOULD NORMALLY MEET ONCE EVERY TWO YEARS. THE OBJECTIVES OF THE ASSOCIATION AS STATED IN THE DRAFT AGREEMENT ARE AS FOLLOWS:

1) TO PROMOTE CLOSE COOPERATION AMONG MEMBER COUNTRIES WITH A VIEW TO SAFEGUARDING THEIR INTERESTS IN RELATION TO THE IRON ORE EXPORT INDUSTRY;

II) TO ENSURE AN ORDERLY AND HEALTHY GROWTH OF THE EXPORT TRADE IN IRON ORE;.

III) TO ASSIST MEMBER COUNTRIES TO SECURE FAIR AND REMUNERATIVE RETURNS FROM THE EXPLOITATION, PROCESSING AND MARKETING OF IRON ORE WITH A VIEW TO IMPROVING THEIR EXPORT EARNINGS AND TERMS OF TRADE;

IV) TO CONTRIBUTE TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE MEMBER COUNTRIES AND IN PARTICULAR TO ENCOURAGE FURTHER PROCESSING OF IRON ORE IN MEMBER COUNTRIES INCLUDING INTO IRON AND STEEL; AND,

V) TO PROVIDE A FORUM FOR THE EXCHANGE OF INFORMATION AND EFFECTIVE AND MEANINGFUL CONSULTATIONS ON PROBLEMS RELATING TO THE IRON ORE EXPORTS INDUSTRY WITH A VIEW TO ENABLING MEMBER COUNTRIES TO TAKE APPROPRIATE ACTION.

3. ACCORDING TO CANADIAN AND AUSTRALIAN HIGH COMMISSION SOURCES, CONFIDENTIAL

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THE CONFERENCE WAS CORDIAL AND BUSINESSLIKE. THERE WAS LITTLE EVIDENCE OF CONFRONTATION BETWEEN DEVELOPING AND INDUSTRIALIZED COUNTRIES THAT HAS BEEN APPARENT AT UNCTAD AND RECENT MEETINGS OF EXPORTERS OF OTHER PRIMARY PRODUCTS. THE INDIAN DELEGATION WHICH SERVED AS THE SPOKESMEN FOR THE AFRICAN AND LATIN AMERICAN DELEGATIONS, WAS THE MOST AGGRESSIVE IN PUSHING FOR A CLOSE PRODUCER ASSOCIATION. THE VENEZUELAN SUPPORTED THE INDIAN POSITION, BUT WERE MORE CONCILIATORY. THE ALGERIAN DELEGATION, WHICH ADAMANTLY

SUPPORTED AN OPEC-LIKE GROUP FOR IRON ORE PRODUCERS AT THE NOVEMBER 1974 MINISTERIAL MEETING, DID NOT PLAY MUCH OF A ROLE DURING THE PROCEEDINGS IN DELHI.

4. THE AUSTRALIAN DELEGATION AGAIN PROVED TO BE THE MOST FORCEFUL AND EFFECTIVE IN MAKING ITS VIEWS FELT AT THE CONFERENCE, LARGELY BECAUSE AUSTRALIA IS THE WORLD'S LARGEST EXPORTER OF IRON ORE. THE AUSTRALIANS, WHO WERE FIRMLY BACKED BY THE CANADIANS AND RECEIVED MUTED SUPPORT FROM THE SWEDES, PREVENTED ANY SORT OF A CARTEL ARRANGEMENT FROM BEING ADOPTED. THE BRAZILIANS GAVE TACIT SUPPORT TO THE AUSTRALIAN POSITION, BUT PLAYED A PASSIVE ROLE THROUGHOUT THE CONFERENCE. THE ORIGINAL INDIAN VERSION OF THE DRAFT AGREEMENT CALLED FOR PROGRESSIVE HARMONIZATION OF THE POLICIES OF MEMBER COUNTRIES ON PROBLEMS RELATING TO PRICES, PRODUCTION AND EXPORT OF IRON ORE, AND COORDINATION OF NATIONAL POLICIES OF MEMBER COUNTRIES. THE AUSTRALIAN, CANADIAN, AND SWEDISH DELEGATIONS OPPOSED THESE PROVISIONS, AND THEY WERE DROPPED BEFORE THE FINAL DRAFT WAS ISSUED. LARGELY AT THE URGING OF AUSTRALIA, THE DRAFT REQUIRES CONSULTATION WITH CONSUMER NATIONS, AND KEEPING IMPORTER INTERESTS IN MIND DURING ANY KIND OF COOPERATIVE ACTION BY THE EXPORTERS.

5. MEMBERSHIP IN THE ASSOCIATION IS OPEN TO ANY NATION WHICH EXPORTS IRON ORE OR HOLDS SUBSTANTIAL RESERVES. AUSTRALIA AND CANADA AGREED TO JOIN AS FULL MEMBERS OF THE IRON ORE ASSOCIATION, WHILE THE SWEDISH HAVE NOT YET MADE UP THEIR MIND TO ACCEPT. THERE PROBABLY WILL BE NO ROOM FOR OBSERVER NATIONS AT FUTURE IRON ORE CONFERENCES. AN EARLIER SUGGESTION TO ALLOW CONSUMER NATIONS TO JOIN THE ASSOCIATION WAS REJECTED.

6. WHILE MOVES TOWARD FORMING A CARTEL OF IRON ORE PRODUCERS WERE QUICKLY SUPPRESSED AT THE MEETING THE AUSTRALIAN HIGH COMMISSION FORESEES A TREND TOWARD THE IRON ORE ASSOCIATION
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EVENTUALLY BECOMING SOME SORT OF PRICE-SETTING CARTEL. ALL IRON ORE PRODUCERS WITH THE EXCEPTION OF CANADA, SWEDEN, AND BRAZIL MORE OR LESS SUPPORT THE INDIAN GOAL OF CREATING AN INTER-GOVERNMENTAL GROUP WHICH CAN DETERMINE PRICES AND PRODUCTION LEVELS. WHILE THE ASSOCIATION AS A WHOLE CANNOT SET PRICES, INDIVIDUAL MEMBERS ARE FREE TO CHARGE AS MUCH AS THEY WANT FOR IRON ORE. IT IS POSSIBLE THAT MANY PRODUCERS MAY MUTUALLY REVISE THEIR PRICES UPWARD, AND IF THIS OCCURS, AUSTRALIA MAY WISH TO FOLLOW SUIT.

7. WE ARE POUCHING THE TEXT OF THE DRAFT AGREEMENT.
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